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SENIOR INTERDEPARTMENTAL GROUP-INTERNATIONAL ECONOMIC POLICY

November 17, 1983
10:30 a.m.
Roosevelt Room

Attendees:

Treasury
Secretary Regan (Chairman)
R. T. McNamar
Marc Leland

Office of the Vice President
Vice President George Bush
Donald Gregg

State
W. Allen Wallis
Paul Wolfowitz
Thomas Niles

Defense
Secretary Caspar Weinberger
Paul Thayer

Agriculture
Richard Lyng
Jim Parker

Commerce
Secretary Malcolm Baldrige
Lionel H. Olmer

OMB
Alton Keel

CIA
[redacted] • 25X1
David Gries

USTR
Robert E. Lighthizer
James Murphy

CEA
William Niskanen

AID
Richard Derham

OPD
John A. Svahn

Ex-Im Bank
William Draper

NSC
Robert McFarlane
William Martin

President's Visit to Japan and Korea

Secretary Regan introduced the topic and said that the Vice President would chair this SIG-IEP session devoted to follow-up of the President's visit to Japan and Korea. The Vice President noted that he did not wish to create another bureaucratic layer in our bilateral consultations with the Japanese. On the contrary, he wished to facilitate the ongoing efforts to ensure that the agenda for progress established during the President's vist would come to fruitful results. At this time, he indicated that it was not clear who would be his Japanese counterpart, but this would be clarified following December elections.

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Following Paul Wolfowitz' review of the highlights of the visit, the Vice President asked each Cabinet officer to address his outstanding issues with the Japanese. Secretary Regan first reviewed financial issues, with particular attention to the yen/dollar communique jointly issued by the Ministers of Finance. The U.S. objective has been to encourage a liberalization of Japanese capital markets and financial structures. Through market oriented means (as opposed to intervention), we hope to urge an internationalization of the yen, which should help restore a more equitable balance in the yen/dollar relationship.

Secretary Weinberger then reviewed the key defense issues. He noted that Japan's efforts to increase their share of their defense obligations will free up U.S. resources which can then be channeled to other parts of the region. He also noted recent successes in the two way flow of technology between Japan and the U.S. Wolfowitz noted that Foreign Minister Abe has indicated a need for the Japanese to increase their defense spending beyond one percent of GNP.

Secretary Baldrige noted that we have many outstanding trade problems. The yen/dollar issue is important, but we also need to make simultaneous progress in Japanese market access. On the energy side, we need to keep pressure on the Japanese to buy more U.S. coal. Over the next few months, we need to make progress in these areas, and we will have to consider how we respond if the follow-up efforts fail.

Deputy Secretary Lyng noted that agricultural trade amounts to some $7 billion annually. Issues like beef and citrus are important symbolically. Under Secretary Wallis concluded the general discussion by noting that we had also established a working group on investment.

National Security Advisor Robert McFarlane noted that the President went over in some depth with Prime Minister Nakasone all the key items which Cabinet members had raised during the intensive briefings prior to the visit. By the end of the visit, it was agreed that progress over the coming months had to be made and that both Japan and the U.S. were committed to improving their trading relationship.

The Vice President then stressed again the importance of carrying on with existing negotiations and frameworks and that his oversight effort will be hopefully short-lived. Secretary Regan offered a time table by suggesting that we might target for results by the British Summit in June. Robert McFarlane added that it would be important to have two accountability sessions before the Summit to review progress.

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The Vice President urged all Cabinet members to submit to his office no later than COB Monday, November 21, a page and a half summary identifying goals and benchmarks for key issues of interest to them. He cautioned that they should be a realistic set of objectives and that we should not unduly raise expectations. Cabinet officers should also indicate any subjects that they do not want included. The Vice President then indicated that he is considering the establishment of a Working Group at Deputy/Under Secretary level to coordinate the agenda for progress. He will designate the head of this group at a later time. On the Japanese side, nobody expects much to happen prior to the election, but we should be ready for active consultations by early 1984.

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